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Attorneys for Plaintiffs, Greve Financial
 Services, Inc., Angeles Chemical Company,
 Inc., and John Locke

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ANGELES CHEMICAL COMPANY, INC.,
 et al.

Plaintiffs,

vs.

MCKESSON CORPORATION, a California
 Corporation, MCKESSON CHEMICAL
 COMPANY, FOREMOST-MCKESSON
 EXPORT CORPORATION, MORELAND-
 MCKESSON CHEMICAL COMPANY INC.,
 and DOES 1 through 500, Inclusive,

Defendants.

Northern District Miscellaneous Matter No.
 Case No. C 06-80343 Misc MMC (EDL)

Case No: 01-10532 TJH (Ex)
 Central District of California

PLAINTIFF ANGELES CHEMICAL
 COMPANY'S OBJECTIONS TO SQUIRE
 SANDERS & DEMPSEY L.L.P.'S JUNE 6,
 2007 LETTER TO HONORABLE AND
 SUBSEQUENT REFUSAL TO OBEY
 MAGISTRATE LAPORTE'S ORDER
 DATED MAY 31, 2007

Date: June 11, 2007
 Time: 9:00 a.m.
 Room: Courtroom E, 15th Floor
 450 Golden Gate Ave
 San Francisco, CA
 Judge: Hon. Elizabeth D. Laporte

Angeles' Objection to SSD's June 6, 2007 Letter

Northern District Misc. Matter
 Case No. C 06-90343 Misc MMC (EDL)

1 The May 31 Order only arose because SSD willfully, intentionally, and knowingly
 2 violated that Courts' March 22 Order. Amazingly, SSD is now attempting to circumvent SSD's
 3 obligations under the May 31 Order.

4 There is no excuse and certainly no risk of prejudice for SSD being ordered to submit all
 5 the documents without being redacted for *in camera* review. It is the Court's judgment whether
 6 or not the documents are relevant and privileged. In essence, SSD is usurping the power of the
 7 Court. The only possible explanation for SSD's actions is that SSD is likely aware that some of
 8 these documents will prove the extent of SSD's misrepresentations to the Court. SSD should be
 9 ordered to submit all the documents without any redactions to the Court.

10 ***THIS IS THE SAME TYPE OF GAMESMANSHIP EMPLOYED BY MCKESSON'S***
 11 ***COUNSEL IN THE UNDERLYING LITIGATION***

12 Honorable Magistrate Judge James McMahan made recent determinations that McKesson
 13 and its counsel have been disingenuous, dilatory and "hiding" evidence in this litigation.
 14 Specifically, the court noted:

15 "McKesson has a history of poor cooperation and candor in the discovery
 16 process...The credibility of McKesson and its counsel in this action is frayed
 17 and spent...The court cannot and will not allow the discovery process to
 18 become a shell game in which a party and its counsel repetitively hide
 19 available evidence." (Emphasis added.) (Declaration of Jeffery L. Caulfield in
 20 Support of Plaintiff Angeles Chemical Company's Objections To Squire Sanders
 21 & Dempsey L.L.P.'s June 6, 2007 Letter To Honorable And Subsequent Refusal
 22 To Obey Magistrate Laporte's Order Dated May 31, 2007 ("Caulfield Dec.") ¶ 2;
 23 Exhibit A)

24 Even more recently, the Honorable Magistrate Judge Charles Eick chastised McKesson
 25 for withholding and redacting documents from *in camera* review. The exact same
 26 transgressions as SSD is now attempting.

27 THE COURT: When court orders you to produce documents
 28 for in camera review, how can you think that you're
 29 authorized to withhold portions of the documents ordered to
 30 be submitted by redacting portions of the documents?

MS. WILMS: They weren't encompassed in the motion because
 they were non-McKesson chemical –

THE COURT: When a court orders you to produce all documents, how can you believe that you were authorized to produce only portions of the documents that the court has ordered you to produce?

MS. WILMS: We in good faith thought we could do it on those two documents or three documents since they didn't involve McKesson chemical company sites.

THE COURT: The basis of your good faith is to decide that the court order is too broad, given your view of the relevance of the documents. So, you're going to obey only part of the court order that you believed to be overbroad. Is that what you're saving?

MS. WILMS: That was not our intent, your Honor.

THE COURT: That's what you did, though, right?

MS. WILMS: There was the redaction on those couple of documents, yes, your Honor. (Caufield Dec. ¶ 3; Exhibit B page 11)

Based on McKesson's egregious actions, the Court ordered McKesson to produce all documents in their unredacted form to Angeles. . (Caufield Dec. ¶ 4; Exhibit C) In this instance, as the Court is aware, SSD concurrently represents McKesson on other litigation matters. Thus, once again another counsel from McKesson is simply refusing to comply with another Court's order to produce document for *in camera* review. Apparently, McKesson and it's counsel are under the impression that McKesson and their counsel are not required to comply with court orders.

THE PROPER PROCEDURE IS FOR SSD TO SUBMIT ALL DOCUMENTS IN THEIR UNREDACTED FORM TO THE COURT

SSD should not be allowed to shape the Court's Order for SSD's benefit. SSD's action of taking items off the privilege log and/or redacting documents so as to circumvent the Court's review is entirely improper. The Court must have access to all documents in unredacted form to properly determine whether SSD should produce the documents. It seems clear that in withholding and redacting documents SSD now refuses to comply with the May 31, 2007 Order, which was issued in order to compel SSD to comply with the earlier March 22, 2007 Order.

1 SSD's activity is highly improper and insults the very foundation of our legal system.
2 Angeles respectfully requests that the Court Order SSD to produce all the documents, unredacted
3 in their entirety to the Court to ensure that fair play and justice be served.

4 DATED: June 11, 2007

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Caufield & James, LLP

Jeffery L. Caufield, Esq.
Attorneys for Plaintiff/Counter-Defendant

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Attorneys for Plaintiffs, Greve Financial
 Services, Inc., Angeles Chemical Company,
 Inc., and John Locke

**UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA**

ANGELES CHEMICAL COMPANY, INC.,) Northern District Miscellaneous Matter No
 et al.)

Case No: 01-10532 TJH (Ex)
 Central District of California

Plaintiffs,

vs.

MCKESSON CORPORATION, a California
 Corporation, MCKESSON CHEMICAL
 COMPANY, FOREMOST-MCKESSON
 EXPORT CORPORATION, MORELAND-
 MCKESSON CHEMICAL COMPANY INC.,
 and DOES 1 through 500, Inclusive,

Defendants.

DECLARATION OF JEFFERY L.
 CAUFIELD IN SUPPORT OF PLAINTIFF
 ANGELES CHEMICAL COMPANY'S
 OBJECTIONS TO SQUIRE SANDERS &
 DEMPSEY L.L.P.'S JUNE 6, 2007
 LETTER TO HONORABLE AND
 SUBSEQUENT REFUSAL TO OBEY
 MAGISTRATE LAPORTE'S ORDER
 DATED MAY 31, 2007

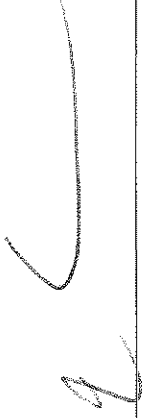
Date: TBD
 Time: TBD
 Room: Courtroom E, 15th Floor
 450 Golden Gate Ave
 San Francisco, CA
 Judge: Hon. Elizabeth D. Laporte

I, Jeffery L. Caufield, declare as follows:

1. I am an attorney of record for Plaintiffs and Counter-Defendants, Greve Financial
 Services, Inc., a California corporation, Angeles Chemical Company, Inc., a California
 corporation, Janyce Locke, an individual, and John Locke, an individual (collectively,
 "Angeles") in the above entitled action.
2. Attached hereto as **Exhibit A** is a true and correct copy of United States District Court
 Central District of California Order dated December 15, 2005.

3. Attached hereto as Exhibit B is a true and correct copy of a hearing transcript before Honorable Judge Charles Eick taken on November 17, 2006.
4. Attached hereto as Exhibit C is a true and correct copy of United States District Court Central District of California Order dated November 17, 2006.

I declare under penalty of perjury that the foregoing is true and correct. Executed in San Diego, California on June 11, 2007.



JEFFERY L. CAUFIELD
Attorneys for Plaintiff/Counter-Defendant

EXHIBIT A

04:03pm From-US DISTRICT C

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T-855 P.02/05 F-216

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

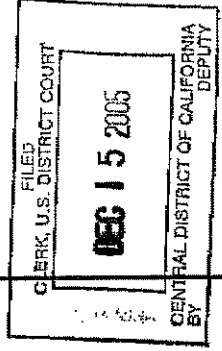
GREVE FINANCIAL SERVICES, INC.,)
ANGELES CHEMICAL COMPANY, INC.,)
and JOHN LOCKE,)
Civil No. CV 01-10532-TJH (MCX)

Plaintiffs,)
v.)
MCKESSON CORPORATION, et al.,)
Defendant.)

ORDER RE: PLAINTIFF'S MOTION
TO COMPEL PRODUCTION OF
DOCUMENTS

On the court's own motion, the court dispenses with oral argument with respect to the motion of plaintiffs Greve Financial Services, Inc., Angeles Chemical Company, Inc., Janyce Locke, and John Locke (collectively "Angeles") to compel production of relevant documents from the underlying litigation, previously noticed for hearing on December 20, 2005 and later continued to January 4, 2006. Local Rule 7.15. The court takes the motion under submission and decides it forthwith.

Plaintiff Angeles Chemical Company, Inc. is or was a chemical company which operated a chemical distribution facility on certain



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T-855 P.03/06 F-216

1 real property in Santa Fe Springs from 1976 to 2000. Defendant
2 McKesson Corporation operated a chemical repackaging facility at an
3 immediately adjacent piece of real property ("the SFS real property")
4 from 1976 through 1986. Angeles alleges in this action that
5 McKesson's activities caused the contamination of Angeles' real
6 property. Among other things, Angeles alleges that McKesson
7 discharged hazardous chemicals and waste into a ditch adjacent to
8 McKesson's property which resulted in the contamination of the Angeles
9 property. McKesson contends in a counterclaim that Angeles
10 contaminated McKesson's site by pouring, spilling or releasing
11 solvents resulting in the contamination of the McKesson site,
12 groundwater beneath the McKesson site and the regional aquifer.

13 In 1989 and again in 1993, McKesson sued certain of its insurance
14 carriers to recover costs incurred to investigate and remediate
15 environmental contamination caused by McKesson and its employees in
16 various sites, including the McKesson SFS site. Eventually, McKesson
17 settled those lawsuits with its insurers.

18 The motion of plaintiff Angeles to compel production of documents
19 is granted.

20 McKesson has a history of poor cooperation and candor in the
21 discovery process in this action. McKesson was under an obligation to
22 produce to Angeles documents relevant to the claims of Angeles in this
23 law suit. McKesson initially produced thirteen boxes of documents, a
24 very small document production when considering that the requested
25 documents pertained to the operations of a chemical company at a large
26 facility which had been in operation for many years. For at least a
27 year, McKesson and its counsel adamantly asserted that no documents
28 other than those in the thirteen boxes were available. In May of

1 2004, McKesson and its counsel suddenly "found" an additional 179
2 boxes of documents pertaining to McKesson's earlier litigation with
3 its insurers concerning the SFS site. McKesson has now produced the
4 contents of 105 of these 179 boxes of documents.

5 Jeffery Caufield, counsel for Angeles, has filed a declaration in
6 support of this motion stating that (apparently after McKesson "found"
7 the 179 boxes of documents from the earlier litigation):

8 "McKesson had initially produced approximately 34 of
9 the 101 deposition transcripts from the Underlying
10 Litigation. Of the 34 deposition transcripts produced,
11 McKesson heavily redacted the majority of the deposition
12 transcripts based upon alleged "relevancy." Fortunately,
13 Angeles was able to locate a single court reporter that
14 still had one of the redacted deposition transcripts in
15 electronic format and discover that McKesson had redacted
16 direct questioning regarding the McKesson Santa Fe Springs
17 Site under their theory of "relevancy." In other words,
18 McKesson got caught red handed redacting highly relevant
19 information regarding SFS on a number of occasions."
20 Joint stipulation, filed December 5, 2005, Declaration of Jeffery L.
21 Caufield Re Joint Stipulation, etc., p. 3, lines 1-9.

22 Defendant McKesson has not filed any evidence controverting Mr.
23 Caufield's allegations with respect to McKesson's actions redacting
24 the contents of the transcripts. Accordingly, the court accepts these
25 allegations as true for the purposes of this motion.

26 In opposing the present motion, McKesson claims through its
27 counsel that it has already produced all documents relevant to the
28 present action. McKesson claims that the remaining documents in the

1 179 boxes are privileged or pertain to issues like insurance coverage
2 which are not relevant to a claim or defense of any party and not
3 relevant to the subject matter of this action.

4 The credibility of McKesson and its counsel in this action is
5 frayed and spent. McKesson and its counsel claimed that it had
6 produced all available documents for at least a year before it
7 suddenly "found" 179 boxes of documents. McKesson and its counsel
8 redacted portions of deposition transcripts pertaining to the McKesson
9 SFS site claiming that this testimony was not relevant. Given this
10 history, the court cannot accept the unilateral representations of
11 McKesson and its counsel that documents from the 179 boxes withheld
12 from production are not relevant. The court cannot and will not allow
13 the discovery process to become a shell game in which a party and its
14 counsel repetitively hide available evidence.

15 Defendant McKesson Corporation is ordered on or before January 6,
16 2006 to produce the entire contents of the 179 boxes at issue in this
17 motion, withholding only documents as to which McKesson asserts a
18 claim of privilege supported by a privilege log. McKesson's
19 production shall include all documents previously produced unless
20 plaintiff Angeles, in its sole discretion, makes a determination that
21 McKesson need not produce certain documents which have already been
22 produced.

23 The motion of plaintiff Angeles for discovery sanctions is
24 denied. Although the conduct of defendant McKesson and its counsel
25 may well deserve sanctions, the declaration of plaintiff Angeles
26 concerning the time expended preparing and presenting this motion is

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12-15-05 04:04pm From-US DISTRICT CT

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1 so vague and general that it is impossible for the court to determine
2 how much attorney time was expended which is directly attributable to
3 this motion.

4 IT IS SO ORDERED.

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6 Dated: December 15, 2005

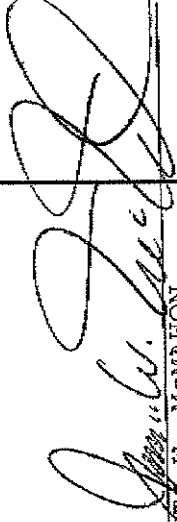
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9 JAMES W. McMAHON
10 United States Magistrate Judge
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EXHIBIT B

11.17.06 10-K Hearing

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

ANGELES CHEMICAL COMPANY,)
ET AL.,)

PLAINTIFFS,)

VS.)

CASE CV 01-10532-TJH(EX)

LOS ANGELES, CALIFORNIA
NOVEMBER 17, 2006

MC KESSON CORPORATION, ET AL.,)

DEFENDANTS.)

HEARING
BEFORE THE HONORABLE CHARLES F. EICK
UNITED STATES MAGISTRATE JUDGE

APPEARANCES:

FOR ANGELES:

CAUFIELD & JAMES, LLP
BY: JEFF CAUFIELD
ATTORNEY AT LAW
2851 CAMINO DEL RIO SOUTH
SUITE 250
SAN DIEGO, CALIFORNIA 92108

FOR MC KESSON CORP.:

BINGHAM MC CUTCHEN
BY: NANCY WILMS
ATTORNEY AT LAW
355 SOUTH GRAND AVENUE
SUITE 4400
LOS ANGELES, CALIFORNIA 90071

PROCEEDINGS RECORDED BY ELECTRONIC SOUND RECORDING;
TRANSCRIPT PRODUCED BY TRANSCRIPTION SERVICE.

BABYKIN COURTHOUSE SERVICES (626) 963-0566

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11.17.06 10-K Hearing
COURTROOM DEPUTY/
RECORDER: STACEY PIERSON

TRANSCRIBER: DOROTHY BABYKIN
COURT HOUSE SERVICES
1218 VALEBROOK PLACE 91740
GLENDDORA, CALIFORNIA
(626) 963-0566

BABYKIN COURTHOUSE SERVICES (626) 963-0566

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2 CASE NO. CV 01-10532-TJH(EX) NOVEMBER 17, 2006
3 HEARING: ANGELES' MOTION TO COMPEL 10-K DOCUMENTS WITHHELD
BY MC KESSON AND FOR SANCTIONS.
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1 LOS ANGELES, CALIFORNIA, FRIDAY, NOVEMBER 17, 2006
2 (CALL TO ORDER OF THE COURT.)
3 THE CLERK: CALLING CIVIL 01-10532-TJH(EX), ANGELES
4 CHEMICAL COMPANY, INCORPORATED, ET AL. VERSUS MC KESSON
5 CORPORATION, ET AL.
6 APPEARANCES, PLEASE.
Page 3

11.17.06 10-K Hearing

7 MR. CAUFIELD: JEFF CAUFIELD FOR PLAINTIFF AND
8 COUNTER-DEFENDANT ANGELES.

9 THE COURT: THANK YOU.

10 MS. WILMS: NANCY WILMS FOR DEFENDANT MC KESSON
11 CORPORATION.

12 THE COURT: THANK YOU.

13 THIS MATTER'S BEFORE THE COURT FOR A HEARING ON
14 ANGELES' MOTION TO COMPEL 10-K DOCUMENTS WITHHELD BY
15 MC KESSON AND FOR SANCTIONS.

16 I'VE READ ALL OF THE PAPERS SUBMITTED IN CONNECTION
17 WITH THE MOTION. I DON'T WANT TO HEAR ARGUMENT. I DO WANT
18 TO HAVE SOME QUESTIONS ANSWERED, PLEASE, BY COUNSEL FOR THE
19 DEFENDANT.

20 FIRST OF ALL, HAS JUDGE HATTER RULED ON THE MOTIONS
21 FOR REVIEW OF THE COURT'S PREVIOUS ORDERS CONCERNING THE 10-K
22 ESTIMATES?

23 MS. WILMS: NO, YOUR HONOR.

24 THE COURT: DID MC KESSON WITHHOLD FROM PRODUCTION
25 ANY DOCUMENTS UPON WHICH MC KESSON RELIED IN CALCULATING ITS

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1 FORM 10-K ESTIMATES THAT WERE NOT LISTED IN THE PRIVILEGE
2 LOG?

3 MS. WILMS: NO, YOUR HONOR. WE DID NOT REPRODUCE
4 DOCUMENTS THAT HAD ALREADY --

5 THE COURT: NO. NO. NO.

6 MS. WILMS: NO, YOUR HONOR.

7 THE COURT: DON'T ANSWER A DIFFERENT QUESTION THAN
8 I ASKED. LISTEN TO MY QUESTION CAREFULLY AND ANSWER IT,

Page 4

11.17.06 10-K Hearing

9 PLEASE.

10 HAS MC KESSON WITHHELD FROM PRODUCTION ANY
11 DOCUMENTS UPON WHICH MC KESSON RELIED IN CALCULATING ITS FORM
12 10-K ESTIMATES THAT WERE NOT LISTED IN THE PRIVILEGE LOG?

13 MS. WILMS: NO, YOUR HONOR.

14 THE COURT: THEN, WHY DID YOU REPRESENT TO JUDGE
15 HATTER ON SEPTEMBER 15 THAT SOME SUCH DOCUMENTS WERE NOT
16 PRODUCED?

17 MS. WILMS: WE DID NOT REPRESENT THAT TO JUDGE
18 HATTER. WHAT WE STATED IN OUR MOTION FOR REVIEW IS THAT WHEN
19 WE WERE RESPONDING HISTORICALLY TO FRCP 26 AND INTERROGATORY
20 NUMBER 4, WE DID NOT PRODUCE DOCUMENTS RELIED ON TO CALCULATE
21 10-K LIABILITIES BECAUSE THOSE DOCUMENTS WERE NOT CALLED FOR
22 IN THOSE PARTICULAR DISCOVERY REQUESTS.

23 FRCP, YOU DISCLOSE DOCUMENTS THAT YOU'RE GOING TO
24 RELY ON FOR YOUR DAMAGES CALCULATIONS. AND WE DID THAT. AND
25 INTERROGATORY NUMBER 4 WAS ALSO DIRECTED TO DAMAGES. AND WE

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1 RESPONDED TO THAT.

2 NOW, OBVIOUSLY, IF THERE WAS AN --

3 THE COURT: SO, WHY WAS THAT -- WHY WAS THAT BIT OF
4 HISTORY -- IF THAT'S THE INTERPRETATION THAT YOU'RE PUTTING
5 ON YOUR REPRESENTATION TO JUDGE HATTER, WHY WAS THAT BIT OF
6 HISTORY AT ALL RELEVANT TO THE MOTION FOR REVIEW?

7 MS. WILMS: WELL, WE WERE SAYING THAT WE HAD GIVEN
8 THEM THE DOCUMENTS RELATED TO DAMAGES.

9 THE COURT: HAS MC KESSON NOW PRODUCED ALL
10 DOCUMENTS WHICH IT USED TO PREPARE THE SUMMARIES IDENTIFIED
11 IN THE PRIVILEGE LOG AND/OR PRODUCED IN THE PRODUCTION ON
Page 5

11.17.06 10-K Hearing

12 SEPTEMBER 15TH?

13 MS. WILMS: YES, YOUR HONOR, WITH REGARD TO SANTA
14 FE SPRINGS SITE. AND WE HAVE PRODUCED ANY SUCH DOCUMENTS
15 THAT WE HAVE IDENTIFIED AND EVERYTHING WITH REGARD TO SANTA
16 FE SPRINGS SITE.

17 THE COURT: WHAT ABOUT OTHER SITES?

18 MS. WILMS: WE ARE NOT ABLE TO RECREATE THE
19 DOCUMENTS, IF ANY, THAT WERE RELIED ON. THIS IS BASICALLY A
20 VERBAL PROCESS THAT IS UNDERGONE. AND FROM HISTORICALLY THE
21 -- JEAN MESCHER, THE PERSON, SAYS THAT SHE CANNOT RECALL
22 WHAT PARTICULAR BUDGETS WITH REGARD TO OTHER SITES SHE MAY OR
23 MAY NOT HAVE LOOKED AT, IF THERE WAS ANYTHING.

24 AND, SO, WE HAVE PRODUCED -- WE HAVE DILIGENTLY
25 SEARCHED AND PRODUCED EVERYTHING THAT WE CAN IDENTIFY THAT

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1 WAS RELIED ON WITH REGARD TO --

2 THE COURT: WHAT DO YOU MEAN WHEN YOU SAY
3 REPEATEDLY IN YOUR DECLARATIONS AND OTHERWISE, "THAT YOU HAVE
4 IDENTIFIED"?

5 MS. WILMS: WELL, THAT --

6 THE COURT: IN YOUR ORDER TO PRODUCE EVERYTHING
7 THAT YOU HAVE, I DON'T CARE WHETHER YOU IDENTIFY IT OR NOT, I
8 WANT YOU TO PRODUCE EVERYTHING THAT YOU HAVE.

9 SO, WHAT IS THE MEANING OF THIS "THAT WE HAVE
10 IDENTIFIED" LANGUAGE?

11 MS. WILMS: WE'VE GIVEN EVERYTHING THAT WE KNOW.

12 THE COURT: HOW HARD HAVE YOU LOOKED?

13 MS. WILMS: THEY BOTH -- BOTH CAROL AND JEAN LOOKED

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11.17.06 10-K Hearing
14 -- LOOKED HARD, LOOKED DILIGENTLY FOR SUCH DOCUMENTS. AND
15 WE HAVE PRODUCED THEM.
16 THE COURT: WHAT DID THEY DO?
17 MS. WILMS: THEY'VE GONE BACK THROUGH THE FILES.
18 THEY -- JEAN IS THE ONE WHO'S IN CHARGE OF THE 10-K PROCESS.
19 SHE'S GONE BACK THROUGH HER FILES. AND THAT'S WHERE THE
20 DOCUMENTS THAT WE DID PRODUCE CAME FROM.
21 THE COURT: WERE ALL OF THE DOCUMENTS UPON WHICH
22 MC KESSON RELIED IN CALCULATING ITS FORM 10-K ESTIMATES
23 LISTED ON MC KESSON'S PRIVILEGE LOG?
24 MS. WILMS: NO. ONLY THE DOCUMENTS THAT WE WERE
25 CLAIMING PRIVILEGE OVER.

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1 THE COURT: THEN WHY IN YOUR SUPPLEMENTAL
2 OPPOSITION THAT GAVE RISE TO THE PRIOR ORDER DID YOU
3 REPRESENT THAT ALL THE DOCUMENTS SOUGHT WERE BOTH IRRELEVANT
4 AND PRIVILEGED?
5 MS. WILMS: THE DOCUMENTS SOUGHT THAT WE HAD NOT
6 ALREADY PRODUCED -- I MEAN, I ASSUMED WE WEREN'T TALKING
7 ABOUT DOCUMENTS THAT HAD ALREADY BEEN PRODUCED IN THIS
8 LITIGATION. JUST DOCUMENTS THAT HAD BEEN PREVIOUSLY
9 WITHHELD.

10 THE COURT: LET ME BACK UP AND ANSWER -- ASK THE
11 QUESTION AGAIN NOW THAT I ASKED A FEW MINUTES AGO.

12 WERE ALL OF THE DOCUMENTS UPON WHICH MC KESSON
13 RELIED IN CALCULATING ITS FORM 10-K ESTIMATES LISTED ON THE
14 PRIVILEGE LOG?

15 MS. WILMS: ONLY THOSE DOCUMENTS --

16 THE COURT: YES OR NO.

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11.17.06 10-K Hearing

17 MS. WILMS: OKAY. THEN -- THEN, NO. BECAUSE WE

18 HAD --

19 THE COURT: OKAY.

20 MS. WILMS: OKAY.

21 THE COURT: WERE ANY DOCUMENTS UPON WHICH MC KESSON
22 RELIED IN CALCULATING ITS FORM 10-K ESTIMATES NOT LISTED ON
23 THE PRIVILEGE LOG AND NOT PREVIOUSLY PRODUCED?

24 MS. WILMS: NONE THAT WE HAVE LOCATED THROUGH
25 DILIGENT SEARCH.

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1 THE COURT: WHEN YOU SAY THAT THERE WERE SOME
2 DOCUMENTS THAT MC KESSON RELIED UPON IN CALCULATING ITS FORM
3 10-K ESTIMATES THAT WERE NOT LISTED ON THE PRIVILEGE LOG BUT
4 PREVIOUSLY PRODUCED, WHEN WERE THEY PREVIOUSLY PRODUCED?
5 MS. WILMS: OKAY. AND I SHOULD CLARIFY HERE THAT
6 WE HAVE PRODUCED ALL OF THE --

7 THE COURT: JUST ANSWER THE QUESTION, PLEASE.

8 MS. WILMS: BUT --

9 THE COURT: JUST ANSWER THE QUESTION.

10 MS. WILMS: WELL, IT -- IT ASSUMES THAT MS. MESCHER
11 WOULD BE ABLE TO IDENTIFY A PARTICULAR DOCUMENT OR NOT. SO,
12 IN OTHER WORDS, IF YOU PRODUCE AN ENTIRE UNIVERSE OF
13 DOCUMENTS, WHICH WE HAVE DONE, SHE MAY OR MAY NOT HAVE RELIED
14 ON CERTAIN OF THOSE DOCUMENTS. THAT'S WHY I'M HAVING
15 DIFFICULTY BECAUSE I CAN'T SPEAK IN THE SPECIFICS LIKE I KNOW
16 THAT THIS PARTICULAR BUDGET OR THIS INVOICE WAS RELIED ON
17 BECAUSE SHE DOESN'T KNOW.

18 THE COURT: AND YOU DON'T KNOW --

11.17.06 10-K Hearing

19 MS. WILMS: BUT I --
20 THE COURT: -- WHAT WAS PREVIOUSLY PRODUCED?
21 MS. WILMS: BUT I CAN SAY EVERYTHING HAVING TO DO
22 WITH COSTS WITH REGARD TO THE SANTA FE SPRINGS SITE HAS BEEN
23 PRODUCED.
24 THE COURT: THAT'S NOT MY QUESTION.
25 MS. WILMS: SO -- THEN --

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1 THE COURT: THAT'S NOT MY QUESTION.
2 MS. WILMS: THEN, I GUESS I SHOULD GO BACK TO
3 SAYING THAT EVERYTHING WE CAN IDENTIFY IS ON THE PRIVILEGE
4 LOG IN THE ENTIRE UNIVERSE. SOME OF WHICH SHE MAY HAVE
5 RELIED ON. WE JUST DON'T -- SHE JUST DOESN'T KNOW, SO.
6 THE COURT: SO, THE ANSWER ABOUT WHETHER THERE IS
7 -- LET ME ASK IT A LITTLE -- A LITTLE BIT DIFFERENTLY.
8 IS THERE ANY DOCUMENT ON WHICH YOU RELIED IN
9 CALCULATING THE FORM 10-K ESTIMATES THAT YOU KNOW ABOUT AS
10 BEING THAT TYPE OF DOCUMENT THAT WAS NOT LISTED ON YOUR
11 PRIVILEGE LOG?
12 MS. WILMS: NO.
13 THE COURT: SO, IS IT THE CASE THAT YOU KNOW --
14 AND, I MEAN, YOU, MC KESSON, KNOW THAT YOU DID RELY ON
15 DOCUMENTS IN CONNECTION WITH PREPARING THE CALCULATIONS. YOU
16 DID RELY ON DOCUMENTS OTHER THAN THOSE IDENTIFIED ON THE
17 PRIVILEGE LOG. BUT AT THIS POINT IN TIME YOU JUST CAN'T GO
18 BACK AND DETERMINE WHAT THEY WERE?
19 MS. WILMS: THAT'S CORRECT, YOUR HONOR. BUT WE'RE
20 SATISFIED IF IT HAS TO DO WITH SANTA FE SPRINGS, IT HAS
21 ALREADY BEEN PRODUCED. I MEAN, WE KNOW THAT.

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22 THE COURT: WELL, HOW COULD YOU POSSIBLY KNOW THAT
23 WHEN YOU DON'T KNOW WHAT IT IS THAT YOU RELIED UPON?

24 MS. WILMS: BECAUSE WE KNOW WE HAVE PRODUCED ALL
25 COST-RELATED DOCUMENTS.

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1 THE COURT: WHEN A COURT ORDERS YOU TO PRODUCE
2 DOCUMENTS FOR IN CAMERA REVIEW, HOW CAN YOU THINK THAT YOU'RE
3 AUTHORIZED TO WITHHOLD PORTIONS OF THE DOCUMENTS ORDERED TO
4 BE SUBMITTED BY REDACTING PORTIONS OF THE DOCUMENTS?

5 MS. WILMS: THEY WEREN'T ENCOMPASSED IN THE MOTION
6 BECAUSE THEY WERE NON-MC KESSON CHEMICAL --

7 THE COURT: WHEN A COURT ORDERS YOU TO PRODUCE ALL
8 DOCUMENTS, HOW CAN YOU BELIEVE THAT YOU WERE AUTHORIZED TO
9 PRODUCE ONLY PORTIONS OF THE DOCUMENTS THAT THE COURT HAS
10 ORDERED YOU TO PRODUCE?

11 MS. WILMS: WE IN GOOD FAITH THOUGHT WE COULD DO IT
12 ON THOSE TWO DOCUMENTS OR THREE DOCUMENTS SINCE THEY DIDN'T
13 INVOLVE MC KESSON CHEMICAL COMPANY SITES.

14 THE COURT: THE BASIS OF YOUR GOOD FAITH IS TO
15 DECIDE THAT THE COURT ORDER IS TOO BROAD, GIVEN YOUR VIEW OF
16 THE RELEVANCE OF THE DOCUMENTS. SO, YOU'RE GOING TO OBEY
17 ONLY PART OF THE COURT ORDER THAT YOU BELIEVED TO BE
18 OVERBROAD.

19 IS THAT WHAT YOU'RE SAYING?

20 MS. WILMS: THAT WAS NOT OUR INTENT, YOUR HONOR.

21 THE COURT: THAT'S WHAT YOU DID, THOUGH, RIGHT?

22 MS. WILMS: THERE WAS THE REDACTION ON THOSE COUPLE
23 OF DOCUMENTS, YES, YOUR HONOR.

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24 THE COURT: ANGELES SUGGESTS THAT THIS 10-K
25 LIABILITY ESTIMATE PROCESS HAS OCCURRED RELATIVELY RECENTLY,

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12

1 MARCH OF 2006. THERE AREN'T MANY DOCUMENTS ON THE PRIVILEGE
2 LOG DATED ON OR AFTER THAT TIME. AND THAT'S NOT SO LONG AGO
3 THAT YOU WOULD THINK THAT MC KESSON COULDN'T RECONSTRUCT THAT
4 WHICH IT RELIED UPON IN CREATING THE ESTIMATES.

5 WHAT DO YOU HAVE TO SAY TO THAT?

6 MS. WILMS: THOSE DOCUMENTS WERE PRODUCED. I
7 DISAGREE WITH THE CHARACTERIZATION THAT THERE'S NOT --

8 THE COURT: WELL, YOU SAID, "WERE PRODUCED." WHAT
9 DO YOU MEAN, "WERE PRODUCED?"

10 MS. WILMS: PURSUANT --

11 THE COURT: THEY WERE ON A PRIVILEGE LOG?

12 MS. WILMS: YES, YOUR HONOR. YES, YOUR HONOR.

13 THE COURT: THERE'S NOT VERY MUCH THERE.

14 MS. WILMS: AND WE DISAGREE THAT THEY'RE -- THAT
15 THEY'RE NOT SUBSTANTIAL. THEY HAVE ALL THE DIFFERENT SITES
16 AND THEY HAVE THE OPERATING COSTS FOR THE VARIOUS YEARS
17 ESTIMATED AND PREPARED BY JEAN MESCHER. AND SHE IS IN HER
18 HEAD FAMILIAR WITH WHAT'S GOING ON WITH THESE SITES. AND SHE
19 PREPARED THOSE SPREADSHEETS BASED ON THAT. AND THAT IS --
20 THAT'S ALL THERE WAS.

21 THE COURT: SO, IT'S JUST ALL IN HER HEAD?

22 MS. WILMS: YES, YOUR HONOR. THAT'S HER -- THAT'S
23 WHAT SHE DOES.

24 BUT I DO THINK THAT THERE ARE, YOU KNOW, A GOOD --
25 A GOOD CHUNK OF DOCUMENTS THAT ARE FROM MARCH OF 2006.

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13

1 THE COURT: HOW MANY?
2 MS. WILMS: WELL, I'VE GOT THEM HERE. ONE PACK
3 THAT STARTS "MCK0064865." THAT'S THIS.
4 THE COURT: WHAT NUMBERS ARE YOU READING OUT?
5 MS. WILMS: THE BATES NUMBERS.
6 THE COURT: WHY DON'T YOU JUST LOOK ON THE
7 PRIVILEGE LOG.
8 MS. WILMS: OH, OKAY. I'M SORRY, YOUR HONOR, I
9 DON'T HAVE THAT. BUT I DO HAVE THE DOCUMENTS.
10 THE MAJOR PACKET IS THIS DOCUMENT, WHICH IS
11 MCK0064932.
12 WOULD YOUR HONOR LIKE ME TO HAND THESE TO THE
13 CLERK?
14 THE COURT: NO.
15 MS. WILMS: OKAY. AND THEN --
16 (PAUSE IN PROCEEDINGS.)
17 THE COURT: GOING BACK TO SOMETHING I ASKED YOU
18 ABOUT EARLIER. YOU TOLD ME, I BELIEVE, THAT YOU HAD PRODUCED
19 PREVIOUSLY SOME DOCUMENTS THAT WERE SOUGHT BY PLAINTIFF IN
20 THE MOTION. BEFORE THE COURT ORDER YOU HAD ALREADY PRODUCED
21 SOME DOCUMENTS. YOU JUST CAN'T IDENTIFY WHICH DOCUMENTS THEY
22 WERE.
23 IS THAT ACCURATE?
24 MS. WILMS: YES, YOUR HONOR, AS THEY RELATE TO
25 COSTS.

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1 THE COURT: YOU SAY IN -- SAID IN YOUR OPPOSITION
2 TO THE MOTION THAT ALL OF THE DOCUMENTS SOUGHT WERE
3 PRIVILEGED.

4 SO, WHY DID YOU PRODUCE PRIVILEGED DOCUMENTS
5 PREVIOUSLY?

6 MS. WILMS: WE DIDN'T PRODUCE PRIVILEGED DOCUMENTS.
7 THE DOCUMENTS THAT WE HAD NOT PRODUCED WERE THE ONES THAT
8 WERE PRIVILEGED, THE ONES THAT WE COULD IDENTIFY -- YOU KNOW,
9 YES, THIS DOCUMENT FOR SURE WAS RELIED ON IN CALCULATING THE
10 10-K. THOSE DOCUMENTS WERE PRIVILEGED.

11 THE COURT: SO, THEY BECOME PRIVILEGED IF YOU CAN
12 IDENTIFY THEM?

13 MS. WILMS: NO, THEY WERE PRIVILEGED DOCUMENTS.
14 THE ONES THAT WE COULD IDENTIFY WERE ALL PRIVILEGED. THEY
15 WEREN'T PRIVILEGED BECAUSE WE COULD IDENTIFY THEM.

16 THE COURT: WELL, I DON'T UNDERSTAND.

17 WHAT SEPARATED OUT THE DOCUMENTS THAT YOU HAD
18 PREVIOUSLY PRODUCED THAT YOU SAY WERE RESPONSIVE TO WHAT THEY
19 WERE SEEKING -- NAMELY, DOCUMENTS UPON WHICH YOU RELIED IN
20 CALCULATING YOUR FORM 10-K ESTIMATES.

21 WHAT SEPARATED THOSE DOCUMENTS, THE PREVIOUSLY
22 PRODUCED DOCUMENTS FROM A PRIVILEGE STANDPOINT FROM THE ONES
23 THAT YOU REFUSED TO PRODUCE AND PUT ON A PRIVILEGE LOG?

24 MS. WILMS: THE PREVIOUSLY PRODUCED DOCUMENTS WERE
25 THINGS LIKE BUDGETS, INVOICES --

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15

1 THE COURT: UH-HUH.

2 MS. WILMS: -- YOU KNOW, HOW MUCH DOES IT COST.
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3 SO, THEY WERE NOT PRIVILEGED DOCUMENTS. THEY WERE DOCUMENTS
4 HAVING TO DO WITH, YOU KNOW, HOW MUCH DOES IT COST TO PULL
5 THIS TANK FROM THE GROUND.

6 THESE DOCUMENTS THAT WERE ON THE LOG ARE DOCUMENTS
7 THAT WERE GENERATED PURSUANT TO THE ATTORNEY-CLIENT PROCESS
8 OF DETERMINING WHAT THE RESERVES WERE. BUT THAT PROCESS
9 DOESN'T MAKE, YOU KNOW, AN INVOICE FOR A TANK REMOVAL
10 PRIVILEGED.

11 THE COURT: SO, WHEN PLAINTIFF SAID IN ITS MOTION
12 THAT IT WANTED PRODUCTION OF ALL OF THE DOCUMENTS RELIED UPON
13 BY MC KESSON TO CALCULATE ITS FORM 10-K LIABILITY, AND IN
14 RESPONSE MC KESSON SAID, "ALL OF THOSE DOCUMENTS ARE
15 PRIVILEGED," THAT WAS WRONG BECAUSE NOT ALL OF THOSE
16 DOCUMENTS WERE PRIVILEGED. SOME OF THOSE DOCUMENTS WERE NOT
17 PRIVILEGED AND HAD BEEN PREVIOUSLY PRODUCED.

18 THAT'S WHAT YOU'RE SAYING?

19 MS. WILMS: ALL OF THE DOCUMENTS WE COULD IDENTIFY
20 FOR SURE AS HAVING BEEN RELIED ON WERE PRIVILEGED, SO.

21 THE COURT: NO. NO. NO. NO. LISTEN TO MY QUESTION
22 AND ANSWER IT, PLEASE.

23 ANGELES' MOTION ASKED FOR ALL OF THE DOCUMENTS
24 RELIED UPON BY MC KESSON TO CALCULATE ITS FORM 10-K
25 LIABILITY. IN RESPONSE TO THAT MOTION, MC KESSON SAID, "ALL

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16

1 OF THOSE DOCUMENTS ARE PRIVILEGED." THAT'S WHAT

2 MC KESSON SAID --

3 MS. WILMS: CORRECT.

4 THE COURT: -- BOTH IN THE JOINT STIPULATION AND IN

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5 ITS SUPPLEMENTAL MEMORANDUM.

6 MS. WILMS: YES.

7 THE COURT: WHAT YOU'RE NOW SAYING IS THAT'S NOT
8 RIGHT BECAUSE SOME OF THE DOCUMENTS RELIED UPON BY MC KESSON
9 TO CALCULATE ITS FORM 10-K LIABILITY WERE NOT PRIVILEGED?

10 MS. WILMS: NO, YOUR HONOR. I'M --

11 THE COURT: IS THAT NO? WHY NOT?

12 MS. WILMS: ALL THE DOCUMENTS -- BECAUSE WE DON'T
13 KNOW WHETHER ANY OF THESE OTHER COST DOCUMENTS WERE RELIED
14 ON.

15 THE COURT: BACK UP, PLEASE. BACK UP. BACK UP.

16 MS. WILMS: SO, IT'S --

17 THE COURT: BACK UP.

18 THE MOTION ASKED FOR ALL DOCUMENTS UPON WHICH
19 MC KESSON RELIED TO CALCULATE ITS FORM 10-K LIABILITY.

20 IN OPPOSITION, MC KESSON DID NOT SAY, OH, SOME ARE
21 PRIVILEGED, SOME ARE NOT PRIVILEGED. AND WE'VE PRODUCED
22 THOSE THAT ARE NOT PRIVILEGED. MC KESSON SAID, THEY'RE ALL
23 PRIVILEGED AND HERE'S OUR PRIVILEGE LOG.

24 SO, I GUESS MY QUESTION -- THIS IS A DIFFERENT
25 QUESTION, IS WHY DID MC KESSON MAKE THOSE REPRESENTATIONS TO

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17

1 THE COURT THAT IN OPPOSITION TO THE MOTION WHEN THEY WEREN'T
2 TRUE?

3 MS. WILMS: YOUR HONOR, ARE YOU SPEAKING ABOUT THE
4 MOTION HERE, TODAY, THE SECOND?

5 THE COURT: I THINK YOU KNOW WHAT MOTION I'M
6 TALKING ABOUT. THE MOTION THAT GAVE RISE --

7 MS. WILMS: WELL, I'M JUST TRYING TO --
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8 THE COURT: -- TO THE AUGUST 30 AND THE SEPTEMBER
9 6TH ORDERS.
10 MS. WILMS: OKAY. I JUST WANTED TO CLARIFY.
11 THAT'S A TRUE --
12 THE COURT: NO, YOU DIDN'T. I THINK YOU JUST
13 WANTED TO CONFUSE. BUT GO AHEAD.
14 MS. WILMS: NO, I DIDN'T. YOUR HONOR, I WOULD NOT
15 WANT TO DO THAT.
16 THE COURT: PLEASE, PLEASE, LISTEN.
17 MS. WILMS: THE STATEMENT IS A TRUE STATEMENT.
18 THE COURT: WHICH IS A TRUE STATEMENT?
19 MS. WILMS: THE STATEMENT THAT SAYS ALL OF THE
20 DOCUMENTS THAT WERE RELIED ON WERE ON THE PRIVILEGE LOG THAT
21 WE COULD IDENTIFY.
22 THE COURT: NO. NO. THAT'S NOT WHAT YOU SAID.
23 (PAUSE IN PROCEEDINGS.)
24 MS. WILMS: I APOLOGIZE FOR NOT HAVING WRITTEN THAT
25 OR FOR THAT NOT HAVING BEEN WRITTEN CLEARLY THEN.

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18

1 (PAUSE IN PROCEEDINGS.)
2 THE COURT: WHAT DOES IT TAKE TO IDENTIFY A
3 DOCUMENT ACCORDING TO THE WAY IN WHICH YOU'RE USING THE
4 TERMINOLOGY?
5 MS. WILMS: IT TAKES A DILIGENT SEARCH OF RECORDS.
6 AND WHEN A DOCUMENT IS LOCATED THAT'S RESPONSIVE, THEN THAT'S
7 IDENTIFIED.
8 THE COURT: RESPONSIVE TO WHAT?
9 MS. WILMS: TO WHATEVER IT IS YOU'RE SEARCHING FOR.

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10 IN THIS CASE DOCUMENTS RELIED ON TO CALCULATE FORM 10-K

11 LIABILITY ESTIMATES.

12 THE COURT: HOW DO YOU KNOW WHEN YOU'VE IDENTIFIED
13 SUCH A DOCUMENT?

14 MS. WILMS: THE PERSON WHO IS INVOLVED IN DOING IT
15 -- THE PROCESS, WHICH IN THIS CASE WAS JEAN MESCHER, WOULD
16 SAY, YES, THIS IS SUCH A DOCUMENT.

17 THE COURT: WELL, WOULDN'T THE FIRST STEP BE FOR
18 JEAN MESCHER TO SEARCH FILES AND MEMORY TO DETERMINE WHAT IT
19 WAS THAT JEAN MESCHER RELIED ON?

20 MS. WILMS: YES, YOUR HONOR.

21 THE COURT: AND EVERYTHING THAT WAS RELIED UPON IS
22 ON THE PRIVILEGE LOG EXCEPT THINGS ALREADY PRODUCED.

23 ALTHOUGH MC KESSON CAN'T IDENTIFY ANYTHING THAT WAS
24 ALREADY PRODUCED THAT WAS RELIED ON.

25 MS. WILMS: YES, YOUR HONOR.

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19

1 (PAUSE IN PROCEEDINGS.)

2 THE COURT: WHO ELSE WAS INVOLVED IN THE

3 CALCULATION OF THE ESTIMATES?

4 MS. WILMS: JEAN MESCHER WAS THE ONLY ONE INVOLVED
5 WITH REGARD TO THE ESTIMATES.

6 THE COURT: NO ONE ELSE HAD ANY INPUT WHATSOEVER?

7 MS. WILMS: NO, I DON'T BELIEVE SO. I MEAN, IT'S
8 POSSIBLE SHE TALKED TO PEOPLE. I KNOW SHE SAID IT WAS A VERY
9 VERBAL PROCESS. SHE DIDN'T -- AND THERE WERE MEETINGS. BUT
10 IT WAS DEFINITELY HER RESPONSIBILITY AND HER PROCESS.

11 THE COURT: NO, THAT'S NOT MY QUESTION.

12 MS. WILMS: AND THAT'S ALL I --

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13 THE COURT: THERE'S DOCUMENTS. THERE'S
14 CORRESPONDENCE. THERE ARE NOTES. YOU JUST SAID THERE WERE
15 MEETINGS.
16 SO, THERE ARE OTHER PEOPLE INVOLVED WHO HAD INPUT
17 INTO THE PROCESS OF CALCULATING THESE ESTIMATES, WEREN'T
18 THERE?
19 MS. WILMS: YES, YOUR HONOR. THERE WERE OTHER
20 PEOPLE AT THE MEETINGS. YES.
21 THE COURT: NO, THAT'S NOT MY QUESTION.
22 MS. WILMS: YES.
23 THE COURT: NOT WHETHER THERE WERE ANY PEOPLE AT
24 THE MEETINGS.
25 THE QUESTION, WAS ANYONE ELSE INVOLVED IN THE

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20

1 PROCESS? ANYONE ELSE HAVE INPUT INTO THE PROCESS OF
2 CALCULATING THE ESTIMATES?
3 MS. WILMS: I BELIEVE WITH REGARD TO LEGAL, THE
4 ROLE OF LEGAL FEES, CAROLYN UNGVARSKY WAS INVOLVED.
5 THE COURT: ANYONE ELSE?
6 MS. WILMS: NOT THAT I KNOW OF, YOUR HONOR.
7 (PAUSE IN PROCEEDINGS.
8 THE COURT: I THANK YOU, MS. WILMS.
9 MS. WILMS: THANK YOU, YOUR HONOR.
10 THE COURT: MR. CAULFIELD, DO YOU WANT JUST A FEW
11 MINUTES TO RESPOND?
12 MR. CAUFIELD: SURE.
13 THE COURT: I DON'T ENCOURAGE A LOT OF ARGUMENT.
14 I'VE READ ALL OF THE PAPERS.

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15 MR. CAUFIELD: OKAY.

16 THE COURT: BUT I'LL GIVE YOU A FEW MINUTES, GIVEN
17 THAT YOU'VE BEEN SITTING THERE LISTENING TO MS. WILMS ANSWER
18 THE COURT'S QUESTIONS.

19 MR. CAUFIELD: WELL, WITH A COUPLE OF ITEMS, FOR
20 EXAMPLE, WITH RESPECT TO THE PEOPLE THAT APPARENTLY
21 PARTICIPATE IN THE PROCESS, I WOULD CALL THE COURT'S
22 ATTENTION TO THE DOCUMENT BATES STAMPED NUMBER MCK0064930
23 FROM THE RESERVE DOCUMENTS PRODUCED.

24 IN THAT -- THIS DOCUMENT LISTS, I GUESS, A -- IT
25 SAYS ORAL, BUT I THINK IT'S PROBABLY LAUREL GONZALEZ AS BEING

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21

1 PREPARED BY. SO, APPARENTLY, A DIFFERENT HUMAN BEING. JEAN
2 MESCHER DOESN'T ACTUALLY PREPARE THE SPREADSHEET.

3 AND THEN THERE'S TWO DIFFERENT PEOPLE THAT
4 APPARENTLY ARE ASSIGNED TO SIGN OFF ON THE ACTUAL SPREADSHEET
5 THAT'S BEEN PREPARED OR PRODUCED. THAT WOULD BE LISA SORKER
6 AND JEAN MESCHER. SO, THERE DOES APPEAR TO BE MORE PEOPLE
7 INVOLVED IN THE PROCESS.

8 AND IT'S SOMEWHAT INTERESTING THAT IF THERE'S A
9 PLACE FOR THESE PEOPLE TO SIGN OFF, WHY ISN'T THERE THE SIGN
10 OFF. IF WE HAVE THE ACTUAL DOCUMENT AS IT EXISTS, AND
11 THERE'S A SIGN-OFF COLUMN, YOU KNOW --

12 THE COURT: MAYBE THAT MEANS THEY DIDN'T HAVE
13 INPUT.

14 MR. CAUFIELD: I DON'T -- WELL, IT SAYS, "LIST
15 PREPARED BY," IS ALL I KNOW.

16 AND AS FOR SOME OF THE OTHER DOCUMENTS, THERE'S
17 CERTAIN QUESTIONS REGARDING -- FOR EXAMPLE, THE DOCUMENTS

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18 BEGINNING WITH MCK0064906.

19 IF LOOKING AT THE BOTTOM OF THE DOCUMENT, THE
20 ACTUAL DOCUMENTS ARE BEING PRODUCED OUT OF MR. EDGCOMB'S --
21 OFF MR. EDGCOMB'S COMPUTER. AND THIS IS FOR PRIOR YEARS.
22 WHICH IS SOMEWHAT CURIOUS BECAUSE I WOULD ASSUME THAT IF IT'S
23 BEING PRODUCED FROM COUNSEL'S FILES, THERE WOULD BE EMAILS OR
24 TRANSMITTAL LETTERS OR SOMEHOW HE WAS DELIVERED THESE
25 DOCUMENTS.

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22

1 AND NOT ALL THE DOCUMENTS HAVE -- JUST A SCATTERING
2 NUMBER OF THESE, EVERY FEW PAGES -- YOU KNOW, THERE'S CLUMPS
3 THROUGHOUT THIS THING. AND IT APPEARS THAT IT LOOKS LIKE
4 JUST PRINTOUTS OFF OF MR. EDGCOMB'S COMPUTER NOT OUT OF
5 MC KESSON CORPORATE FILES. AND, AGAIN, THERE'S NO
6 TRANSMITTALS.

7 AND FINALLY --

8 THE COURT: WHAT DIFFERENCE DOES THAT MAKE?

9 MR. CAUFIELD: WELL, IT CALLS INTO QUESTION WHETHER
10 MC KESSON ACTUALLY -- WELL, FIRST OF ALL, THERE SHOULD BE AT
11 LEAST A TRANSMITTAL LETTER OR AN EMAIL. WHICH ACCORDING TO
12 YOUR ORDER, WOULD HAVE BEEN SOMETHING THAT THEY SHOULD HAVE
13 LISTED ON A PRIVILEGE LOG AND SHOULD HAVE PRODUCED FOR YOUR
14 REVIEW SO THAT YOU COULD DECIDE WHETHER OR NOT THAT NEEDED TO
15 BE PRODUCED OR NOT IN THIS LITIGATION. BECAUSE THAT SHOULD
16 BE A DECISION LEFT UP TO YOU, I WOULD ARGUE TO MAKE.

17 AND WITH RESPECT TO THE EMAIL THAT WE REFERENCED,
18 AGAIN, THERE'S ONLY -- DESPITE THE FACT THAT THIS HAS BEEN
19 APPARENTLY A PROCESS GOING ON SINCE 1990, I THINK WE HAVE A

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20 TOTAL OF ONE EMAIL PRODUCED. AND THIS IS THE ONE THAT WE HAD
21 AN ISSUE WITH REGARDING THE REDACTION.

22 AND I WOULD NOTE THAT THE EMAIL THAT WAS PRODUCED,
23 AND THEN THEY ATTEMPTED TO REDACT IT, THAT EMAIL ACTUALLY
24 SAYS THAT THEIR LEGAL COSTS HAVE BEEN PREVIOUSLY INCLUDED IN
25 THE ENVIRONMENTAL RESERVES AND, APPARENTLY, WERE SUPPORTING

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23

1 SOME OF THE ENVIRONMENTAL RESERVE NUMBERS AND EXPENSES
2 REFLECTED IN THE SPREADSHEETS.

3 BUT, CERTAINLY, WE'VE NEVER SEEN ANY OF THE LEGAL
4 COSTS. AND IT WOULD BE SOMETHING THAT AT LEAST WOULD BE
5 ENCOMPASSED WITHIN THE COURT'S ORDER. AND THE COURT WOULD
6 MAKE A DECISION WHETHER OR NOT -- WHAT THOSE LEGAL COSTS
7 WERE, WHETHER SOME SHOULD OR SHOULD NOT BE INCLUDED WITHIN
8 YOUR COURT'S ORDER.

9 AT A MINIMUM, IT SHOULD HAVE BEEN GIVEN TO YOU,
10 YOUR HONOR, FOR THE IN CAMERA REVIEW. AND IT CLEARLY HAS NOT
11 BEEN PRODUCED TO US.

12 OH, YEAH, HERE IT IS. THE DOCUMENT IS MCK0064875.
13 WE ALSO HAVE SOME ISSUES BECAUSE A NUMBER OF THESE
14 DOCUMENTS REFERRED TO THINGS LIKE BUDGETS THAT -- FOR, LIKE,
15 2002, 2003 AND FROM PRIOR YEARS. AND THOSE BUDGETS WE'VE
16 NEVER HAD IN THIS LITIGATION. BUT, APPARENTLY, SOMEBODY
17 PREPARED A BUDGET FOR THE LONG-TERM CLEAN-UP COST OF THE
18 SITE.

19 AND THOSE BUDGETS WERE -- WE HAVEN'T SEEN THOSE
20 BUDGETS. AND, OF COURSE, IT WOULD BE, I THINK, HIGHLY
21 RELEVANT IF THERE'S BEEN BUDGETS PREPARED ADDRESSING WHAT THE
22 LONG-TERM CLEANUP COSTS OF THIS SITE ARE. AND EVEN IF

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23 THEY'RE INTERNAL BUDGETS OF MC KESSON, THOSE BUDGETS ARE
24 BASED UPON NUMBERS LIKE EQUIPMENT COSTS, TESTING COSTS, WHO
25 CAUSED THE CONTAMINATION, ET CETERA.

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24

1 AND I THINK ONE OF THE MOST CRITICAL ELEMENTS THAT
2 WE ARE REALLY MISSING IS THAT PREVIOUSLY WE HAD SUBMITTED A
3 MOTION TO COMPEL. IT WAS GRANTED BY JUDGE MC MAHON WITH
4 RESPECT TO THE SETTLEMENT MONIES RECEIVED FROM MC KESSON'S
5 PRIOR SUIT AGAINST MC KESSON SETTLEMENT -- INSURANCE
6 CARRIERS. AND I BELIEVE THE ROUGH FIGURE THAT WAS RECEIVED
7 WAS IN THE NEIGHBORHOOD OF 13 MILLION. IT COULD BE 10, BUT--
8 10 TO 13 MILLION, I BELIEVE, WAS THE NUMBER RECEIVED.

9 MC KESSON HAD ARGUED TO THE COURT AS A BASIS FOR
10 NONPRODUCTION OF THOSE SETTLEMENT AGREEMENTS THAT IT WOULD BE
11 IMPOSSIBLE TO ALLOCATE BETWEEN VARIOUS SITES.

12 UPON OUR RECEIPT OF THE SETTLEMENT AGREEMENTS, AND
13 AS WE HAD ARGUED, THOSE SETTLEMENT AGREEMENTS GENERALLY
14 ALLOCATED THE MONEY BETWEEN THREE DIFFERENT SITES. AND THE
15 CONTRACTUAL LANGUAGE OF THOSE SETTLEMENT AGREEMENTS
16 SPECIFICALLY SAID THAT IT COULD ONLY BE USED FOR REMEDIATION
17 OF THE SITES.

18 NOW, UNFORTUNATELY, THE YEARS IN WHICH THE MONEY
19 WAS RECEIVED FROM THE INSURANCE CARRIERS ARE THE VERY YEARS
20 THAT WE DON'T HAVE ANY DOCUMENTS FOR -- NOT A SINGLE STICK OF
21 PAPER OF HOW MC KESSON INTERNALLY ALLOCATED THE MONEY
22 RECEIVED FROM THE INSURANCE CARRIERS. WHICH, OF COURSE, IS
23 EXTREMELY CRITICAL FOR OUR CASE BECAUSE CERCLA, I THINK
24 SECTION 114, AS WE ARGUED TO THE COURT, PREVENTS DOUBLE

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25 DIPPING.

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25

1 IF MC KESSON INTERNALLY ALLOCATED, LET'S SAY OUT OF
2 THE 13 MILLION, SIX MILLION DOLLARS TOWARDS THE SANTA FE
3 SPRINGS SITE, AND THEY STILL HAVE THREE OR FOUR MILLION
4 DOLLARS LEFT OVER FROM THAT MONEY BECAUSE THEY HAVEN'T SPENT
5 IT, THEN UNDER CERCLA THEY MAY NOT BE ABLE TO ADVANCE --
6 THE COURT: I UNDERSTAND THE RELEVANCE OF WHAT
7 YOU'RE ARGUING --

8 MR. CAUFIELD: RIGHT.

9 THE COURT: -- BUT WHAT DOES IT HAVE TO DO WITH
10 THIS MOTION?

11 MR. CAUFIELD: THIS HAS TO DO WITH THIS MOTION
12 BECAUSE NOT A SINGLE PIECE OF PAPER WAS PRODUCED FOR THOSE
13 YEARS WHEN THE MONEY WAS RECEIVED.

14 AND I WOULD ARGUE IT'S SOMEWHAT INCONCEIVABLE TO
15 BELIEVE THAT A COMPANY WOULD RECEIVE MILLIONS OF DOLLARS
16 EARMARKED FOR CLEAN-UP OF THE SITES, AND THERE'S NOT A SINGLE
17 PIECE OF PAPER THAT REFLECTS HOW THAT MONEY WAS ALLOCATED
18 AMONG THE THREE PIECES OF PROPERTY AT ISSUE IN THIS
19 LITIGATION. OR EVEN HOW THE RESERVE --

20 THE COURT: YOU'RE STILL NOT EXPLAINING --

21 MR. CAUFIELD: -- NUMBERS ARE CREATED.

22 THE COURT: YOU'RE STILL NOT EXPLAINING HOW IT
23 RELATES TO THIS MOTION.

24 MR. CAUFIELD: OKAY. THAT WOULD BE THE BACKUP
25 INFORMATION THAT SHOULD BE -- THAT WE SHOULD HAVE. WHAT I'M

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1 SAYING IS THOSE YEARS WE DON'T HAVE A SINGLE PIECE OF THE
2 RESERVE ESTIMATE, THE 10-K STUFF.

3 THE COURT: THE INTERNAL --

4 MR. CAUFIELD: THE 10-KS REFLECT WHEN THEY --

5 THE COURT: THE INTERNAL ALLOCATION OF THE

6 SETTLEMENT PROCEEDS YOU ARE ARGUING MUST HAVE BEEN RELIED

7 UPON IN CALCULATING THE FORM 10-K LIABILITY ESTIMATES? IS
8 THAT WHAT YOU'RE ARGUING?

9 MR. CAUFIELD: YES, FOR THE RESERVES. BECAUSE --

10 THE COURT: WHY IS THAT?

11 MR. CAUFIELD: WELL, AS WE CITE IN OUR BRIEF, IN
12 MC KESSON'S OWN 10-KS, THEY ACTUALLY REFLECT TO THEIR
13 SHAREHOLDERS IN CERTAIN INSTANCES MONEY HAVING BEEN RECEIVED
14 FROM THEIR INSURANCES CARRIERS WHICH IS REDUCING THEIR
15 LIABILITIES. AND WE REFERENCED THAT IN OUR BRIEFING TO THIS
16 COURT.

17 AND WE ARGUED THAT INITIALLY BECAUSE WE SAID, WELL,
18 THEY RECEIVED MONEY FROM THE INSURANCE CARRIERS WHICH,
19 APPARENTLY, WAS USED TO REDUCE, ESTIMATE, OR OTHERWISE AFFECT
20 THEIR 10K LIABILITY ESTIMATES. AND, YET, THE YEARS FOR WHICH
21 THAT MONEY WAS RECEIVED, WE DON'T HAVE A SINGLE PAGE -- NOT A
22 NOTE, NOT A HANDWRITTEN NOTE, NOT AN EMAIL, NOTHING TO HOW --
23 WHAT HAPPENED TO 13 MILLION DOLLARS.

24 THE COURT: MS. MESCHER WOULD PROBABLY SAY, I
25 DIDN'T RELY UPON THE INTERNAL ALLOCATION OF THE SETTLEMENT

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1 PROCEEDS.

2 MR. CAUFIELD: I DON'T BELIEVE THAT SHE WAS IN A
3 POSITION TO DO THAT AT THE TIME YOUR HONOR. MR. RITCHIE WAS
4 HEAD -- MR. RITCHIE WAS HEAD OF THE DEPARTMENT DURING THAT
5 TIME PERIOD. SO, SHE DOESN'T --

6 THE COURT: WHOEVER MADE THE CALCULATIONS WILL
7 PROBABLY SAY THEY DIDN'T TAKE THAT INTO ACCOUNT.

8 MR. CAUFIELD: THAT MAY BE. BUT IT'S STRANGE THAT
9 WE HAVE ENTIRE YEARS MISSING WITHOUT A SINGLE PIECE OF PAPER.

10 WE HAVE THE YEARS BEFORE AND WE HAVE THE YEARS
11 AFTER. IT JUST HAPPENS TO BE THERE IS -- YOU KNOW, AS WE
12 POINTED OUT TO THE COURT, THERE ARE ENTIRE YEARS WHICH WE
13 DON'T HAVE A SINGLE PIECE OF PAPER. AND THIS IS THE 15TH
14 LARGEST COMPANY IN THE WORLD. AND THEY'RE SUGGESTING THAT
15 THEY DON'T HAVE AN EMAIL. THEY DON'T HAVE A SINGLE PIECE OF
16 PAPER WITHOUT --- NOT IN THE ENTIRE COMPANY FOR, I THINK --
17 WHAT IS IT? -- SIX OUT OF THE 16 YEARS, WE DON'T HAVE A
18 SINGLE PIECE OF PAPER.

19 AND THE YEARS HAPPEN TO BE VERY SUSPECT BECAUSE
20 THOSE APPEAR TO BE THE KEY YEARS WHEN THEY RECEIVED MONEY OR
21 OTHER KEY YEARS. LIKE, FOR EXAMPLE, BEFORE THIS LITIGATION
22 COMMENCED WHEN THEY WERE APPARENTLY ALLOCATING LIABILITY OR
23 DOING THEIR LIABILITY ESTIMATES, WE DON'T HAVE IT FOR I THINK
24 2000, 2001, WHICH COINCIDENTALLY IS THE TWO YEARS PREVIOUS TO
25 THIS LITIGATION EVEN BEING FILED.

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1 WHICH CALLS IN THE QUESTION OF WHY ARE WE MISSING
2 -- WHY DO WE SEEM TO BE MISSING THE MOST HIGHLY RELEVANT
3 YEARS THAT HAVE PROBABLY THE MOST IMPORTANCE AND, YET, HAVE
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4 THE ONES -- THE OTHER YEARS THAT APPEAR TO HAVE SOME OF THE
5 LEAST -- AND, CERTAINLY, AT LEAST, WITH RESPECT TO THE
6 INVOICES TO LEGAL COSTS THAT ARE ACTUALLY -- THEY SAY WERE IN
7 THERE. THOSE WERE NOT GIVEN TO YOUR HONOR AND CERTAINLY NOT
8 PRODUCED.

9 THE COURT: IF I ORDER MC KESSON AGAIN TO PRODUCE
10 ALL OF THE DOCUMENTS UPON WHICH THEY RELIED IN CALCULATING
11 THEIR FORM 10-K LIABILITY ESTIMATES, DO YOU THINK IN RESPONSE
12 TO THIS ORDER MC KESSON IS GOING TO SAY, OH, HERE ARE ALL
13 THESE OTHER DOCUMENTS THAT ARE WITHIN THE DESCRIPTION IN THE
14 COURT ORDER THAT WE PREVIOUSLY HAVEN'T FOUND OR HAVEN'T
15 IDENTIFIED AND NOW WE ARE PRODUCING THEM?

16 OR, RATHER, ARE THEY GOING TO SAY THE SAME THING
17 MS. WILMS SAYS TODAY, WE PRODUCED EVERYTHING THAT WE AFTER A
18 DILIGENT SEARCH HAVE BEEN ABLE TO LOCATE. AND IF THERE ARE
19 NO DOCUMENTS FOR PARTICULAR YEARS, THAT'S JUST A FACT?

20 MR. CAUFIELD: WELL --

21 THE COURT: WHICH DO YOU THINK IS A MORE LIKELY
22 SCENARIO? -- THE LATTER, RIGHT?

23 MR. CAUFIELD: I THINK IT STARTS WITH THE FORMER,
24 YOUR HONOR.

25 BECAUSE I BELIEVE THAT AN ORDER CAN BE CERTAINLY

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1 TAILORED WHERE -- MC KESSON CERTAINLY HAS THE BACKUP
2 ACCOUNTING INFORMATION TO HOW THEY GOT TO THESE NUMBERS.

3 WHEN YOU HAVE A NUMBER OF -- YOU KNOW, \$128,000 --
4 \$128,523.17, MC KESSON CERTAINLY HAS AN ACCOUNTING FILE THAT
5 -- FOR JUNE OF 2006, FOR EXAMPLE, SOMETHING LIKE THAT,

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6 MC KESSON CERTAINLY HAS AN ACCOUNTING FILE THAT REFLECTS ---
7 WHEN THEY'RE REFLECTING THINGS IN PENNIES, THEY CERTAINLY
8 HAVE AN ACCOUNTING FILE THAT WOULD REFLECT THE INVOICES THAT
9 SUPPORT THAT NUMBER AND HOW THAT NUMBER WAS REFLECTED FOR A
10 CERTAIN MONTH.

11 FOR EXAMPLE, I GO BACK TO THIS MCK0064930. I MEAN,
12 YOU HAVE \$121,292, OKAY? THEY CERTAINLY HAVE ACCOUNTING
13 RECORDS WITHIN THE COMPANY. AND THAT WAS FOR MAY 2005. THEY
14 CERTAINLY HAVE AN ACCOUNTING FILE IN THE COMPANY THAT WOULD
15 ALLOW THEM TO GENERATE AT A MINIMUM A LIST OF THE INVOICES
16 THAT ADD UP TO \$121,292. AND THE SAME WOULD HOLD TRUE FOR
17 ALL OF THESE MONTHS. WHICH, AT LEAST, AT A MINIMUM, WOULD
18 ALLOW US TO BE ABLE TO CROSS-CHECK TO MAKE SURE, IN FACT, WE
19 HAVE RECEIVED EVERYTHING.

20 AND THE SAME HOLDS TRUE FOR THESE -- YOU KNOW, WHEN
21 I TALKED ABOUT REFERENCES TO LIKE THEY HAVE -- THEY REFERENCE
22 BUDGETS THAT WE'VE NEVER SEEN. LIKE, THEY HAVE A 2000- --
23 THEY REFERENCE A 2002, 2003 BUDGET IN THEIR DOCUMENTS THAT
24 APPARENTLY WAS RELIED UPON FOR GENERATING LONG-TERM LIABILITY
25 ESTIMATES. YET, WE DON'T HAVE THOSE.

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1 AND I WOULD CONTEND THAT CERTAINLY IF MC KESSON HAS
2 -- LIKE, FOR EXAMPLE, I REFERENCE THE COURT TO DOCUMENT
3 NUMBER MCK0064865. IN THE TEXT TOWARDS THE BOTTOM OF THE
4 PAGE -- THIS DOCUMENT IS TITLED, "ANNUAL OPERATING COSTS
5 FORMER MC KESSON FACILITY, SANTA FE SPRINGS, CALIFORNIA,"
6 WHICH APPEARS TO BE A PROJECTION INTO THE FUTURE. AND IN THE
7 TEXT ON THE BOTTOM IT SAYS, "GROUND WATER MONITORING, 2004
8 COSTS BASED ON 2003 BUDGET."

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9 I'M FAIRLY FAMILIAR WITH THE DOCUMENTS IN THIS CASE
10 HAVING REVIEWED THE BULK, IF NOT ALL OF THEM. AND I DO NOT
11 RECALL EVER HAVING RECEIVED A DOCUMENT REFLECTING THE 2003
12 BUDGET FROM MC KESSON. THAT'S AS FAR AS I'M AWARE MISSING.
13 AND WE'VE NEVER SEEN IT.

14 THE SAME WOULD HOLD -- AND, YOU KNOW, FOR THE IWW
15 DISCHARGE MONITORING, AGAIN, 2004 COSTS BASED ON 2003 BUDGET.
16 AND THEN REGULATORY INTERACTION IT SAYS, "2004 COSTS BASED ON
17 2002, 2003 BUDGET." BUT WE DON'T HAVE THOSE BUDGETS.

18 AND, CERTAINLY, IF THEY'RE GENERATED -- THIS
19 DOCUMENT IS BEING GENERATED RELYING ON ANOTHER DOCUMENT.

20 IT'S REFERENCING ANOTHER DOCUMENT, WHICH TO ME JUST SUGGESTS
21 THAT THE DOCUMENT CERTAINLY EXISTS. IT WAS GENERATED BY
22 SOMEBODY. AND IT WAS RELIED UPON. YET, WE DON'T HAVE IT.

23 THE COURT: YOU DON'T KNOW THAT IT WAS RELIED UPON.

24 MR. CAUFIELD: WELL, IT'S REFERENCED, YOUR HONOR.

25 AND IT SAYS, "BASED ON." SO, I WOULD -- I WOULD INTERPRET

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1 THE TERMS "BASED ON" -- A LITERAL INTERPRETATION TO ME WHEN
2 IT SAYS -- SOMETHING SAYS "BASED ON," I INTERPRET THAT AS
3 BEING RELIED UPON.

4 AND IF WE DON'T HAVE IT AND THIS WAS BASED ON, THEN
5 IT SHOULD HAVE BEEN PRODUCED TO, AT LEAST, YOUR HONOR FOR IN
6 CAMERA REVIEW.

7 THE COURT: NOT UNLESS THEY RELIED ON IT BECAUSE
8 THOSE ARE THE DOCUMENTS YOU SOUGHT. AND IT WAS THE DOCUMENTS
9 THE COURT ORDERED SUBMITTED.

10 MR. CAUFIELD: CORRECT, YOUR HONOR.

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UNFORTUNATELY, NUMBERS ON A SPREADSHEET ARE NOT
RELIED ON. SPREADSHEETS ARE ESSENTIALLY -- I'M NOT GOING TO
SAY WORTHLESS, BUT IF YOU DON'T HAVE THE BACKUP ACCOUNTING,
THE INVOICES AND EVEN THE ACCOUNTING FILE THAT TELLS YOU HOW
YOU GET TO NUMBERS -- I DON'T THINK IT'S BELIEVABLE TO
SUGGEST THAT MC KESSON DOES NOT HAVE AN ACCOUNTING FILE THAT
CAN ACCOUNT FOR -- YOU KNOW, WHAT -- YOU KNOW, WITH INVOICE
NUMBERS AND EVERYTHING ELSE THAT WOULD ACCOUNT FOR, YOU KNOW,
EXPENDITURES ON A MONTH-TO-MONTH BASIS THAT ARE REFLECTED IN
THE SPREADSHEET.

AND, CERTAINLY, JEAN MESCHER DID NOT SAY, OH, WELL,
YOU KNOW, MAY 2005, UHH, \$121,292 -- PICK THAT OUT OF THIN
AIR. THERE'S CERTAINLY A DOCUMENT, AN ACCOUNTING FILE THAT
SAYS WHAT WAS PAID, INVOICES PAID, INVOICE NUMBERS FOR EACH
OF THESE MONTHS. AND WE HAVE THESE DATING BACK TO THE '90'S.

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1 SO, THEY SHOULD HAVE THE ACCOUNTING FILE THAT LISTS AT LEAST
2 THE INVOICES, THE BACK-UP INVOICES.

3 THE COURT: ONLY MS. MESCHER WITH HER FAILING
4 MEMORY KNOWS THAT WHICH SHE RELIED UPON DOCUMENTWISE. AND
5 APPARENTLY SHE DIDN'T RELY ON MUCH. THAT MAY MEAN THAT THE
6 CALCULATIONS WERE DONE HAPHAZARDLY. THAT MAY MEAN THAT THE
7 CALCULATIONS WERE DONE BASED ON WORD OF MOUTH FROM OTHERS.
8 AND THE OTHER PEOPLE MAYBE DID OR DID NOT LOOK AT DOCUMENTS.

9 MR. CAUFIELD: WELL --

10 THE COURT: I DON'T KNOW.

11 MR. CAUFIELD: YOUR HONOR --

12 THE COURT: BUT ALL -- BUT ALL THE COURT --

13 MR. CAUFIELD: WE HAVE MULTIPLE PEOPLE --
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14 THE COURT: BUT ALL THE COURT HAS BEEN ASKED TO DO
15 IN THE ORIGINAL MOTION AND IN THIS MOTION IS TO ORDER THE
16 PRODUCTION OF THE DOCUMENTS ON WHICH MC KESSON RELIED IN
17 CALCULATING THEIR RESERVE ESTIMATES AND FOR SANCTIONS. AND
18 THAT'S ALL THAT'S BEFORE THE COURT. AND THAT'S ALL THAT THE
19 COURT CAN DO.

20 I'M NOT SURE WHETHER THE COURT'S GOING TO ORDER
21 SANCTIONS OR NOT. AND I'M NOT SURE WHETHER IT WOULD BE
22 PROFITABLE OR PRODUCTIVE TO ORDER MC KESSON AGAIN TO PRODUCE
23 THAT WHICH THE COURT PREVIOUSLY ORDERED MC KESSON TO PRODUCE.

24 YOU RAISED SOME CONCERNS ABOUT THE DILIGENCE OF
25 THEIR ATTEMPTS TO OBTAIN AND PRODUCE SOME DOCUMENTS. AND

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1 I'LL TAKE THOSE INTO CONSIDERATION.

2 BUT, ULTIMATELY, THE ORDER MAY -- IF I ISSUE AN
3 ORDER OFF OF THIS MOTION, IT MAY BE MET WITH THE SAME KIND OF
4 RESPONSE THAT YOU'VE BEEN RECEIVING PREVIOUSLY. THIS IS ALL
5 THAT WE RELIED UPON. AND YOU MAY THINK TO YOURSELF THAT
6 CAN'T BE RIGHT. BUT THAT MAY BE THEIR RESPONSE.

7 MR. CAUFIELD: WELL, IT MAY BE, YOUR HONOR. BUT
8 WHEN THERE'S AN EMAIL THAT SAYS THAT THE LITIGATION COSTS
9 WERE INCLUDED WITHIN THESE RESERVE FIGURES, AND THAT EMAIL
10 EXPRESSLY SAYS THAT, AND THEN THEY SAID THEY'RE GOING TO
11 DELETE THEM -- NOW, WE DON'T CERTAINLY -- AND YOUR HONOR WAS
12 CERTAINLY NOT PROVIDED WITH THE INVOICES SUPPORTING THE
13 LITIGATION COSTS AS SUPPORTING OF THESE FIGURES FOR IN CAMERA
14 REVIEW AS YOU ORDERED.

15 I THINK, CERTAINLY, THE REPRESENTATIONS BY COUNSEL

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16 THAT THEY HAD PRODUCED EVERYTHING TO YOUR HONOR FOR HIS
17 REVIEW WHEN CERTAINLY YOU NEVER SAW AND THE PRIVILEGE LOG
18 DOESN'T REFLECT ANY OF THE INVOICES FOR LITIGATION COSTS.
19 YOU DIDN'T GET EVERYTHING, AND IT WASN'T LISTED IN OUR
20 PRIVILEGE LOG. AND, AT A MINIMUM, IT SHOULD HAVE BEEN GIVEN
21 TO YOUR HONOR FOR REVIEW BECAUSE IT IS SOMETHING THAT WAS
22 RELIED UPON IN CALCULATING THE ESTIMATES. BECAUSE THIS
23 REFLECTS -- THEY ACTUALLY -- THIS EMAIL ADMITS IT'S
24 REFLECTED.

25 MOREOVER, I'M EXTREMELY CONCERNED THAT IN THE SPACE

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1 OF 16 YEARS WE DON'T HAVE A SINGLE TRANSMITTAL LETTER. AND
2 WE HAVE ONE EMAIL IN 16 YEARS. AND THIS APPEARS TO BE AN
3 EMAIL THAT JOHN EDGCOMB PRINTED OFF HIS -- OUT OF HIS FILES.
4 SO, WITHIN A 90-BILLION-DOLLAR COMPANY, TO SUGGEST
5 THEY DON'T HAVE A TRANSMITTAL MEMO WHEN ALL THESE PEOPLE ARE
6 ON DISTRIBUTION LISTS, WHERE ARE THE DISTRIBUTION LISTS?
7 THERE SHOULD, AT LEAST, BE A DISTRIBUTION LIST WITHIN -- THAT
8 COVERS FOR EACH OF THESE.

9 AND THE PEOPLE LISTED ON THIS EMAIL, YOUR HONOR, IF
10 YOU LOOK, THIS IS THE MCK0064875 --

11 THE COURT: I ALREADY LOOKED AT THAT ONE.

12 MR. CAUFIELD: -- THERE IS ONE, TWO, THREE, FOUR,
13 FIVE, SIX DIFFERENT PEOPLE LISTED ON THIS AS BEING RECIPIENTS
14 OF THIS EMAIL. SO, OBVIOUSLY, THERE'S A LARGE GROUP OF
15 PEOPLE THAT PARTICIPATES IN THIS PROCESS.

16 AND IF MESCHER ONLY LOOKED WITHIN HER OWN FILES --
17 AND YOU HAVE TO REMEMBER, YOUR HONOR, WE DEPOSED MS. MESCHER
18 IN 2003 AS THEIR PMK CUSTODIAN OF RECORDS. WE SPECIFICALLY
Page 31

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19 ASKED HER ABOUT THESE PARTICULAR DOCUMENTS. AND SHE SAID SHE
20 DIDN'T KNOW ANYTHING ABOUT THEM. YET, IN EVERY SINGLE ONE OF
21 THESE -- WELL, AT LEAST, FROM THE YEARS IMMEDIATELY AT THE
22 TIME OF THE DEPO AND PRECEDING YEARS, SHE WAS CC'D ON THESE
23 DOCUMENTS. AND THE DOCUMENTS SAY, "SANTA FE SPRINGS."

24 SO, WHEN WE TALKED TO HER AND ASKED HER IF SHE KNEW
25 ABOUT THE EXISTENCE OF DOCUMENTS, AND SHE DISCLAIMED

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1 KNOWLEDGE, AND HADN'T PRODUCED THEM YET, FOR THEM TO COME
2 BACK TO THE COURT NOW AFTER WE, IN FACT, SHOWED THAT SHE JUST
3 RECEIVED DOCUMENTS -- SHE WAS APPARENTLY THE DRAFTER OF
4 DOCUMENTS NOW THEY CLAIM. YOU KNOW, SHE'S THE SCRIBE.

5 FOR HER NOW TO COME TO THE COURT AND SAY, WELL, I
6 WAS THE SCRIBE, BUT I DIDN'T TELL YOU I WAS THE SCRIBE WHEN
7 YOU DEPOSED ME IN 2003. AND YOU ASKED ME WHETHER I WAS THE
8 SCRIBE. NOW, I'M NOW THE SCRIBE. BUT THIS IS ALL I HAD.

9 THE COURT: MAYBE SHE HAS A POOR MEMORY.

10 MR. CAUFIELD: PERHAPS, YOUR HONOR.

11 THE COURT: LET ME ALLOW MS. WILMS A FEW MINUTES TO
12 RESPOND. AND THEN I'M GOING TO CONCLUDE THE HEARING.

13 MS. WILMS, ANYTHING YOU'D LIKE TO SAY IN RESPONSE?

14 MS. WILMS: YES, YOUR HONOR.

15 FIRST, I'LL JUST START WITH THE LAST WITH REGARD TO
16 MS. MESCHER'S DEPOSITION. THAT'S NOT WHAT SHE WAS ASKED AND
17 NOT WHAT SHE ANSWERED.

18 AS WE REFLECT IN OUR PAPERS, THE QUESTION WAS
19 DIRECTED:

20 "HAVE YOU LOOKED TO DETERMINE WHETHER OR NOT

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21 THERE IS SUCH A DOCUMENT IN THE FILES TO SEE
22 IF SUCH A DOCUMENT EXISTS?
23 "HAVE I LOOKED FOR SOMETHING LIKE THAT?" --
24 "QUESTION: YES.
25 "ANSWER: NO."

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1 SO, SHE SAID THAT SHE HADN'T LOOKED FOR IT. SHE
2 DIDN'T SAY SHE DIDN'T HAVE IT. AND THE REASON SHE HADN'T
3 LOOKED FOR IT IS BECAUSE IT HADN'T BEEN REQUESTED AND THEN
4 WASN'T UNTIL JULY. SO, I JUST WANTED TO CLARIFY THE
5 DEPOSITION TESTIMONY ISSUE.
6 ALL I WANT TO DO, YOUR HONOR, IS REITERATE THAT, IN
7 FACT, MR. CAUFIELD SAYS THERE'S NO LONG-TERM PROJECTIONS.
8 THAT'S NOT THE CASE. THERE ARE LONG-TERM PROJECTIONS IN THE
9 2006 FOR SANTA FE SPRINGS. AND THAT'S --
10 THE COURT: WHAT ABOUT THE BUDGET FOR 2003?
11 MS. WILMS: I BEG YOUR PARDON, YOUR HONOR? THE
12 BUDGET?
13 THE COURT: WHAT ABOUT THE BUDGET FOR 2003?
14 MS. WILMS: I NEVER HAVE SEEN THAT. AND I --
15 THE COURT: WHAT ABOUT THE ISSUE OF LEGAL COSTS
16 THAT WERE PREVIOUSLY INCLUDED IN THE ENVIRONMENTAL ESTIMATES?
17 MS. WILMS: IT LOOKS LIKE THEY WERE DELETED FROM
18 THEM. I DO KNOW THAT WE SPOKE WITH AND CAROLYN UNGVARSKY DID
19 A DILIGENT SEARCH. AND IF IT HAD BEEN LOCATED, IT WOULD HAVE
20 BEEN ON THE LOG, SO.
21 THE COURT: THE SAME ANSWER AS FAR AS THE
22 POSSIBILITY OF TRANSMITTAL LETTERS OR EMAILS THAT DON'T
23 APPEAR?

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24 MS. WILMS: THAT'S CORRECT. AND, AGAIN --
25 THE COURT: WHAT ABOUT -- WHAT ABOUT THE --

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1 MS. WILMS: -- THE ISSUE IS WHAT WAS RELIED ON.
2 AND I WOULDN'T THINK A TRANSMITTAL LETTER WOULD BE RELIED ON
3 IN CALCULATING.

4 THE COURT: WOULDN'T THE RECEIPT OF SETTLEMENT
5 FUNDS HAVE TO HAVE BEEN INCLUDED IN THE CALCULATION OF YOUR
6 LIABILITY ESTIMATES?

7 MS. WILMS: I SPOKE WITH MS. MESCHER ABOUT THAT.
8 AND SHE SAID THERE ARE NO DOCUMENTS REFLECTING -- OTHER THAN,
9 OF COURSE, THE BASIC SETTLEMENT AGREEMENTS. THOSE WEREN'T
10 RELIED ON. BUT SHE DID SPECIFICALLY SEARCH FOR THOSE
11 DOCUMENTS.

12 THE COURT: WHICH DOCUMENTS?

13 MS. WILMS: HAVING TO DO WITH INSURANCE. SHE SAID
14 THAT IT WAS A VERBAL DISCUSSION WITH REGARD TO THE INSURANCE.

15 THE COURT: SO, SHE HAD A VERBAL DISCUSSION WITH
16 SOMEBODY ABOUT THE SETTLEMENT AMOUNTS AND THEN FIGURED THE
17 SETTLEMENT AMOUNTS INTO THE ESTIMATES?

18 MS. WILMS: I DON'T THINK SHE RELIED ON THE
19 SETTLEMENT AMOUNTS, YOUR HONOR.

20 THE COURT: SO, THEY DIDN'T FIGURE INTO THE
21 ESTIMATES?

22 MS. WILMS: THAT'S CORRECT.

23 THE COURT: SO, HOW MC KESSON INTERNALLY ALLOCATED
24 THE MONEY RECEIVED FROM THE SETTLEMENTS WAS NOT REFLECTED IN
25 ANY MANNER IN THE 10-K LIABILITY ESTIMATES?

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1 MS. WILMS: THAT'S MY UNDERSTANDING, YOUR HONOR.
2 THE COURT: DO YOU WANT TO EXPLAIN, IF YOU CAN, WHY
3 THERE ARE NO PAPERS FOR SOME YEARS?
4 MS. WILMS: I CAN'T. I CAN'T JUST -- THEY'VE
5 LOOKED AND THEY'RE JUST NOT THERE.
6 THE COURT: ALL RIGHT. THANK YOU.
7 MS. WILMS: THANK YOU, YOUR HONOR.
8 THE COURT: THE MATTER IS SUBMITTED.
9 I APPRECIATE THE STATEMENTS, ARGUMENT AND THE
10 ANSWERS FROM ALL COUNSEL. I WILL ENDEAVOR TO RULE PROMPTLY.
11 THANK YOU.
12 MS. WILMS: THANK YOU, YOUR HONOR.
13 MR. CAUFIELD: THANK YOU, YOUR HONOR.
14 (PROCEEDINGS COMPLETED.)
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C E R T I F I C A T E

I CERTIFY THAT THE FOREGOING IS A CORRECT
TRANSCRIPT FROM THE ELECTRONIC SOUND RECORDING OF THE
PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

FEDERALLY CERTIFIED TRANSCRIBER
DOROTHY BABYKIN

DATED

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EXHIBIT C

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES-GENERAL

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Case No. CV 01-10532-TJH (Ex)

Date: November 17, 2006

Title: ANGELES CHEMICAL CORPORATION et al. v. McKESSON CORPORATION, et al.

DOCKET ENTRY

PRESENT:

HON. CHARLES F. EICK, JUDGE

STACEY PIERSON
DEPUTY CLERK

N/A
COURT REPORTER

ATTORNEYS PRESENT FOR PLAINTIFFS:

None

ATTORNEYS PRESENT FOR DEFENDANTS:

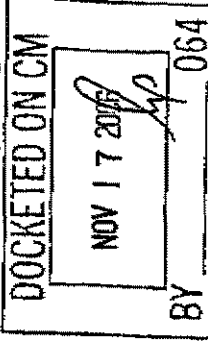
None

PROCEEDINGS: (IN CHAMBERS)

(Page 1 of 2)

The Court has read and considered all documents filed in support of and in opposition to Plaintiffs' "Motion to Compel 10-K Documents Withheld by McKesson and for Sanctions," filed October 20, 2006. The Court heard argument on November 17, 2006.

Within twenty (20) days of the date of this order, Defendant McKesson Corporation shall produce to Plaintiffs all documents upon which any person relied (directly or indirectly) in contributing in any way to the calculation of McKesson's 10-K reserve estimates, other than documents produced in response to the Court's September 6, 2006 Order, and other than Documents Nos. 45-63 referenced in that order. As Defendant McKesson Corporation previously should have known, if a person's contribution to the calculation of McKesson's 10-K reserve estimates was verbal, but that person relied upon a document or documents in formulating that person's verbal contribution, such document or documents were within the compass of this Court's August 30, 2006 and September 6, 2006 Orders. All such documents shall be produced in response to the present order. McKesson Corporation shall produce the documents in their original, unredacted form. All potential privilege objections regarding the documents ordered to be produced herein have been waived by Defendant McKesson's prior failure to list the documents on a privilege log.



MINUTES FORM 11
CIVIL-GEN

898 *[signature]*
Initials of Deputy Clerk

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES-GENERAL

Case No. CV 01-10532-TJH (Ex)

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DOCKET ENTRY

PRESENT:

HON. CHARLES F. EICK, JUDGE

STACEY PIERSON
DEPUTY CLERK

N/A
COURT REPORTER

ATTORNEYS PRESENT FOR PLAINTIFFS:

None

ATTORNEYS PRESENT FOR DEFENDANTS:

None

PROCEEDINGS: (IN CHAMBERS)

(Page 2 of 2)

In preparation for this production, Defendant McKesson Corporation shall perform another, and more thorough, search and inquiry in an attempt to locate documents responsive to this order.

Plaintiffs' request for sanctions is denied without prejudice.

Defendant McKesson Corporation's request for a stay is denied.

Any party seeking review of this order shall cause the preparation and filing of a transcript of the November 17, 2006 hearing.

cc: Judge Hatter
All Counsel of Record

MINUTES FORM 11
CIVIL-GEN

Initials of Deputy Clerk

SP

2:01-CV-10532

Date Transmitted:

11/20/2006 10:16:40 AM

Plag
CAJ

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Number of Pages: 2

It is hereby certified that this document was served by first class mail postage prepaid or by fax or e-mail delivery to counsel (or parties) at their respective address or fax number or e-mail address of record.